

AFRICAN UNION
الاتحاد الأفريقي



UNION AFRICAINE

UNIÃO AFRICANA

Addis Ababa, ETHIOPIA P. O. Box 3243 Telephone 517 700 Cables: AU,
ADDIS ABABA

Original: English

**DRAFT FRAMEWORK, ROAD MAP AND ARCHITECTURE FOR
FASTTRACKING THE CONTINENTAL FREE TRADE AREA (CFTA)**

FRAMEWORK FOR FASTTRACKING THE CONTINENTAL FREE TRADE AREA (FTA): ROAD MAP, ARCHITECTURE, AND MONITORING AND EVALUATION MECHANISM

BACKGROUND

1. In the post independence period, integration has been a core element of the development strategy of African countries. The pursuit of integration at regional and continental levels aims at overcoming the colonial legacy of the fragmentation of Africa into small and weak economies, and at harnessing the economies of scale and other benefits of a large integrated market. Unity and integration have also been targeted towards empowering Africa to take its rightful position in the global economy and polity.

2. The importance that African countries attach to regional integration is reflected in the high number of integration schemes on the continent. There are as many as 14 RECs in Africa. The majority of African countries belong to two or more RECs. At the continental level, the post-independence integration efforts of African countries date back to May 1963 when the OAU was established. The other major initiatives include the adoption in 1980 of the Lagos Plan of Action and the Final Act of Lagos, and the signing in June 1991 of the (Abuja) Treaty Establishing the African Economic Community (AEC). The Abuja Treaty, which provides for the creation of the AEC in six stages extending over a period of 34 years and with the RECs as the building blocks, has served as the blue print for Pan-African economic integration. With the objective of accelerating the implementation of the Abuja Treaty and to enable Africa to meet the challenges of development and globalization in the 21st Century, the Assembly of Heads of State and Government of the OAU adopted the Constitutive Act of the African Union (AU) in 2000 and established the Union the following year.

3. Although some progress has been achieved in the process of African integration, the objective of Pan-African market integration is still far from being realized. The level of intra-African trade stands at around 10 per cent, the lowest among the major regions of the world. Being highly dependent on the outside world for trade, Africa has been very vulnerable to external trade shocks. This situation as well as new challenges facing Africa that have emerged in the first decade of the 21st century, including those relating to the global economic and financial crisis, and the stalemate in EPA negotiations between the EU and African countries, and the WTO Doha Round Negotiations, have underscored the need to deepen Africa's market integration. It is against this background that recommendation of the 6th Session of the Conference of AU Ministers of Trade to fast track the establishment of a Pan-African Free Trade Area (FTA) and the decision of AU Summit to focus its January 2012 Session on the theme of "boosting Intra-African Trade" are very timely.

THE CASE FOR THE CONTINENTAL FREE TRADE AREA (CFTA)

Why Africa needs the CFTA?

4. Africa needs a CFTA for the following reasons **(See Annex for detailed analysis)**:
 - Intra-African trade is around 10% which is significantly lower than the level of intra-regional trade of other developing regions.
 - Two thirds of African countries are either more protectionist than Africa in general or face more limiting market access conditions. The CFTA, even one that progressively eliminates barriers, can offer substantial economic and social gains in Africa.
 - Intra African trade in Agriculture faces a higher rate of protection than non-agricultural sector. Almost all African countries/Sub-regions impose higher tariffs on Agriculture imports from other African Countries. The CFTA provides the opportunity for Africa to maintain food security and boosting trade in Agricultural products;
 - For some African countries, trade within the region constitutes a significant share of their exports

The potential benefits of the CFTA

5. The establishment of a continental FTA will lead to a significant growth of Intra-Africa trade and assist Africa to use trade more effectively as an engine of growth and sustainable development. It is worth noting that between 2000 and 2010, the creation of the COMESA FTA led to a six-fold increase in intra-COMESA trade. The realization of the Tripartite FTA is expected to lead to further growth of intra-African Trade while the continental FTA will build on these existing successes and enable Africa to participate in global trade as an effective and respected partner.

6. In a possible scenario of two FTA groups COMESA-EAC-SADC and IGAD, or (S-E) FTA group and ECOWAS, CENSAD, ECCAS/UMA or N-W-C FTA group, the global average protection rate is nearly as high as the average of 7.7% with the S-E FTA group and 8.2% for the N-W-C FTA group, and 8.7% for the entire continent. Currently there is a high level of protection inhibiting trade. An FTA of the two groups/regions would simultaneously reduce Africa's global protection by 68.7%, consequently reducing Intra-African average trade protection from 8.7% to 2.7%. In view of the foregoing, a CFTA will have even greater benefits.

7. Among other specific benefits that will accrue to African countries from the establishment of the continental FTA are:

- Increased food security through reduction of the rate of protection on trade in agricultural produce among African countries;
- Increased competitiveness of Africa's industrial products through harnessing the economies of scale of a large continental market of about one billion people;
- Increased rate of diversification and transformation of Africa's economy and the continent's ability to supply its import needs from its own resources;
- Better allocation of resources, improved competition and reduced price differentials among African countries;
- Growth of Intra-Industry trade and the development of geographically based specialisation in Africa;
- Reduced vulnerability of Africa to external trade shocks;
- Enhanced participation of Africa in global trade and reduced dependence of the continent on aid and external borrowing.

Current success stories of regional FTAs

8. The experience of the regions such as EU, ASEAN, NAFTA and MERCOSUR indicates the great contribution that successful market integration can make to attainment of economic growth and development.

- The creation of the EU internal market has led to an increase in the level of the Intra-EU trade which now stands at about 63% and has contributed to the growth of the GDP and employment.
- In the past, the fear of the loss of tariff revenue has been an obstacle to the liberalization of Intra-Africa trade. However, recent experiences at the regional levels show that government revenue can actually increase with the removal or lowering of tariffs on Intra-regional trade. This is applicable to both small and large economies. For example, following the accession of Rwanda to the COMESA FTA its government revenue increased as a result of VAT on imports from the region.
- Trade data also show that there is more sophistication in Intra-Africa trade goods than what Africa exports to the rest of the world. Evidence further shows that despite existing level of Intra-African protection on non-Agricultural goods, these exports still constitute a significant share of individual countries export within Africa.

ROAD MAP AND ARCHITECTURE FOR FAST TRACKING THE ESTABLISHMENT OF A CONTINENTAL FTA AND BOOSTING INTRA-AFRICAN TRADE

ROAD MAP

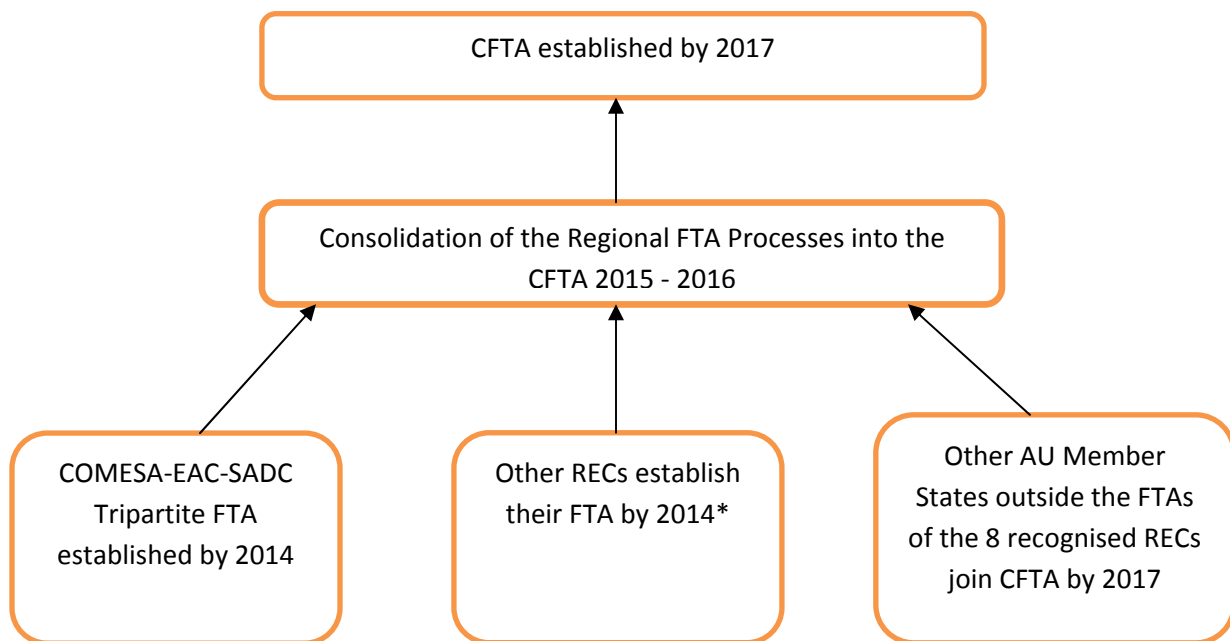
9. The slow progress by the RECs in becoming Customs Unions in the context of the Abuja Treaty framework has delayed the emergence of a Pan-African FTA/Customs Union. Consequently, Africa has not been able to take full advantage of its large continental market of about a billion people. Fast tracking the establishment of a Pan-Free Trade Area requires a new approach that should be independent of the progress made by individual countries in attaining

the status of a Customs Union. The initiative of the Tripartite FTA adopted by Heads of State and Government of COMESA, EAC and SADC can serve as a useful model for the new approach. In this regard, the Summit of the AU at its January 2012 Session is expected to approve the establishment of the CFTA by 2017 on the basis of the following road map:

- Completion of Regional FTA processes by 2014
- Consolidation of the Regional processes into the CFTA between 2015 and 2016
- Establishment of the CFTA by 2017

Details of the Road Map are further elaborated below.

Diagram 1: ORGANOGRAM OF THE ROAD MAP



*The approach recommended above leaves room for the other RECs, should they wish to do so, to come together as a parallel arrangement similar to the EAC-COMESA-SADC Tripartite prior to reaching the CFTA. However, the one stage approach also leaves enough scope for the RECs that do not wish to form a parallel arrangement similar to the EAC-COMESA-SADC Tripartite to join the CFTA directly

- COMESA-EAC-SADC Tripartite FTA encouraged to complete its FTA by 2014 and to ensure that those member states which are currently outside the three RECs FTA join and become part of the Tripartite FTA;

- ii. The four other AU recognised RECs (ECOWAS, CEN-SAD, ECCAS and UMA) to expedite the completion of their FTAs by 2014 and to also ensure that those among their Member States which are currently outside the FTAs to join. [These RECs](#) may come together to form (a) parallel arrangement(s) similar to the EAC-COMESA-SADC Tripartite ;
 - iii. Any other individual AU Member States outside the FTAs of the 8 AU recognised RECs to join CFTA process by 2015;
 - iv. i, ii and iii above will lead to the establishment of a CFTA by 2017, with negotiations facilitated by the AUC with the support of the RECs, taking place between 2015 and 2016.
10. The AUC will be responsible for monitoring the development of FTAs within and between the RECs. It shall also provide guidance, leadership, technical and political support to expedite the process of establishing the regional and continental FTAs. In this regard, the AUC will be expected to;
- i. Undertake studies with a view to providing information and evidence -based analysis
 - ii. Mobilise the support of Stakeholders for the realisation of CFTA
 - iii. Provide a platform for the sharing of experiences among African FTAs
11. The AU Member States shall be responsible for negotiating the respective FTAs in RECs that they belong to and the CFTA. Issues that are to be negotiated include; rules of origin, tariff reduction schedules, removal and elimination of Non-Tariff Barriers (NTBs), customs and transit procedures and trade facilitation among others.
12. Technical assistance will be provided by various donors and partners as appropriate.

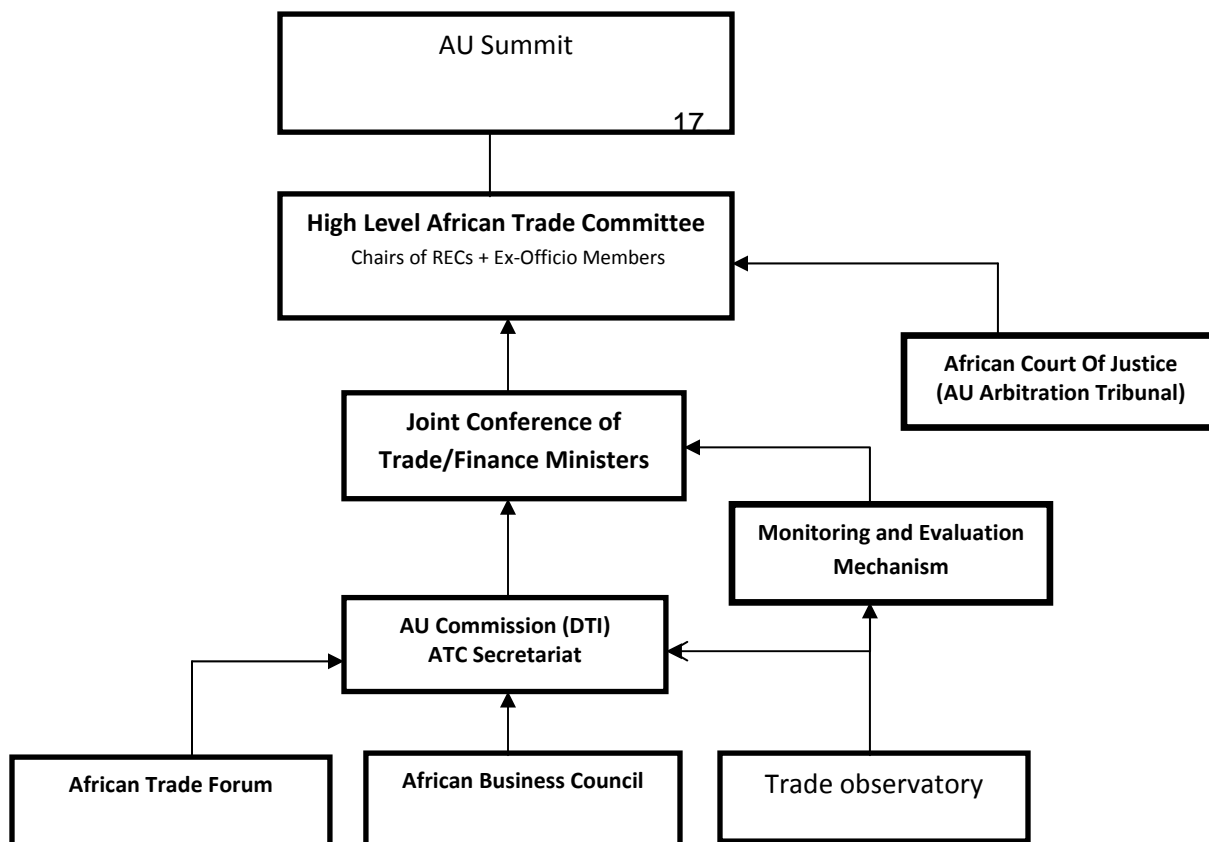
Architecture for the CFTA

13. The slow progress towards Africa's market integration can be attributed to a number of constraints, including the inadequacy of the institutional framework/ architecture for the realization of this important objective. Boosting intra- African trade and fast-tracking the establishment of a Pan-African FTA requires, therefore, the fine-tuning of the existing architecture or the introduction of a new architecture that takes account of the realities on the ground.
14. The six stages roadmap in the Abuja Treaty provides for the creation of the AEC over a period of 34 years, from 1994 to 2028, during which a continent-wide Economic and Monetary Union would have been fully created.
15. The Institutional framework, as laid down in the Abuja Treaty, for Africa's market integration did not explicitly provide for the establishment of a Pan-African Free Trade Area. Rather its focus on the liberalization of intra- African trade, in terms of the creation of FTAs and Customs Unions, has been on the RECS which were expected, in the third of the six stages of the process of the creation of AEC, to establish Free Trade Areas through the removal of Tariff and Non-Tariff Barriers to intra-Community trade and the establishment of a Customs Union by means of adopting a common external tariff. The starting point of market integration at the

continental level was expected to be a Customs Union and at fourth stage when tariffs and non-tariff systems among the various RECs are to be harmonized and a common external tariff adopted for the continent. Abolition of barriers to free trade between various regions was not contemplated until the various RECs have attained the status of Customs Unions.

16. The achievement of the objectives of fast tracking the establishment of a Continental FTA and the boosting of intra-African trade requires the establishment of an appropriate governance structure and mechanisms to monitor and evaluate progress in the implementation of the Road Map and the programmes and activities targeted towards the attainment of the objectives. In addition to the Summit of the African Union, and the enhanced role of the AUC, the proposed organs in the governance structure (architecture) for the Continental FTA and the boosting of intra- African trade include a High-Level African Trade Committee, Joint AU Ministers of Trade and Finance Conference, , the African Business Council, the African Trade Forum, , Dispute settlement Committee and the AU Arbitration Tribunal. The organogram depicting the architecture for the CFTA is provided below.

Diagram 2: ARCHITECTURE FOR THE CFTA



High -Level African Trade Committee (HATC)

17. It is widely accepted that trade is a key engine for boosting growth, development, economic expansion, employment generation and poverty reduction. Yet, in terms of the hierarchy of importance and priority, trade does seem to have taken its rightful position in the policy/decision making process in Africa, both at the national and regional levels. Thus, drawing from the renewed emphasis on boosting intra-African trade and the need therefore to sustain the momentum set by African political leaders at the Summit dedicated to boosting intra-African trade as well as the strong desire to retain focus on trade policy at the highest level of continental policy making, a High-Level African Trade Committee (HATC) is being proposed.

18. Furthermore, given that trade policy cuts across several sectors of the economy, all of which also have direct bearing on the integration process, it is necessary that a new multi-sectoral outlook be adopted in the matters of trade and integration. The establishment of the African Trade Committee (HATC) will allow for a greater coordinated focus, including sharing of experience within a high level body, on trade and integration matters. Such a coordinated focus will enable Africa's integration to move expeditiously from the CFTA to higher and deeper levels..

18. The High-Level African Trade Committee (HATC) will be composed of the Chairpersons of the recognized Regional Economic Communities. The Committee will serve as an organ of the Assembly of Heads of State and Governments and hence an extension of the Assembly. In addition, the Committee will include Ex-officio Members, namely: the Chairperson of the African Union Commission, the Chairpersons of the Conferences of AU Ministers of Trade, Ministers of Finance, the Chief Executives of the RECs (recognized as the building blocks of the AEC), Executive Secretary of UNECA and President of the AfDB, who will participate in the Committee's deliberations in an advisory capacity. The HATC will on behalf of the Assembly, undertake periodic reviews of the progress in the implementation of Africa's market integration agenda, examine proposals for improving the implementation of the agenda for the consideration of the Assembly of Heads of State and Government of the African Union. The HATC will meet once a year on the eve of the July Session of the AU Summit to receive Reports from the Joint Conference of AU Ministers of Trade and Finance on issues relating to intra-African FTA.

Joint Conference of AU Ministers of Trade and Finance

19. The achievement of a successful continental FTA will involve the elimination of tariffs, the establishment of common rules of origin, the harmonization and simplification of customs regulations and procedures, and the elimination of non-tariff barriers to intra-African trade. In many African countries, these are cross-cutting issues. For example, the elimination of tariff barriers is not only a trade issue but also a public finance issue since it has implications for government revenue. Also customs administration and hence issues of trade facilitation are under the purview of the Ministries of Finance, among others, in many African countries. Therefore, an inter-ministerial approach is needed to the implementation of Africa's continental FTA.

20. The Joint Conference of Ministers of Trade and Finance will be the main AU Ministerial organ that will report to the HATC on issues pertaining to the implementation of the continental

FTA agenda. This organ will comprise of the Ministers of Trade and Finance of AU Member States. It will receive and consider reports from the Meetings of (i) AU Ministers of Trade (ii) AU Ministers of Finance (iii) Customs Technical Committee. Other organs and mechanisms are the African Trade Forum, the African Trade Monitoring and Evaluation mechanism, and Trade Observatory, Dispute Settlement.

The Commission of the African Union

21. In the overall process of establishing the CFTA, the AUC will coordinate and provide overall guidance for the CFTA negotiations as well as serve as secretariat for the implementation of the process. The Department of Trade and Industry will be the primary focal point within the AUC for the above activities and involve other departments where necessary. In undertaking this responsibility, the AUC shall closely collaborate with the RECs, the ECA and the ADB. The Commission shall also be responsible for the effective operation of the Monitoring and Evaluation mechanism, serving as the secretariat of the Monitoring and Evaluation Committee which will have responsibility for monitoring and evaluation of the implementation processes of the CFTA.

23. The management of the implementation of the CFTA processes as detailed in the Road Map clearly involves enormous responsibilities being saddled with the AU Commission, for which the capacity is presently lacking. In order therefore to successfully undertake the tasks assigned, it is highly necessary to strengthen the AU Commission, especially the Department of Trade and Industry, which will serve as the Secretariat of HATC.

The African Business Council

24. The proposed architecture of the CFTA provides for the establishment of an African Business Council, as a necessary continental platform for aggregating and articulating the views of the private sector in the continental policy formulation processes. The Business Council shall play an advisory role in the continental policy formulation processes and will communicate its views and positions through the African Union Commission. It will be composed of the Chairs/representatives of umbrella (regional) associations/Business Councils that represent the various private sector interests, such as the Chambers of Commerce and Industry, small and medium scale enterprises, women entrepreneurs and women in trade, sectoral associations such as banking and finance, farmers etc. The Council may be invited to the meetings of Joint Conference of the Ministers of Trade and Finance in Observer capacity.

Customs Technical Committee (CTC)

25. In the current AU governance structure, the Directors-General of Customs Administrations in Africa meet regularly as a Sub-Committee of the Conference of AU Ministers of Trade. Although not shown in the organogram, under the proposed ACFTA governance structure, the existing body will become the Customs Technical Committee (CTC) and report to the Joint Conference of AU Ministers of Trade and Finance. In addition to the Directors – General/ Heads of Customs Administrations of the Member States of the AU, membership of

the CTC will include Directors/Heads of Customs Departments/Divisions of the AUC and the RECs.

26. The CTC will serve as the Technical Committee of the Joint Conference of AU Ministers of Trade and Finance on matters relating to the facilitation of Intra-African Trade. In this regard, the Committee will (i) develop and submit proposals to the Joint Conference on such issues as the Rules of Origin (RoO), customs regulations and procedures, transit procedures, etc, and (ii) implement the decisions of the policy organs of the AU on the facilitation of intra-African trade.

27. The Customs Division of the AUC will serve as the Secretariat of the CTC.

The African Trade Forum (ATF)

28. The African Trade Forum will serve as a Pan-African platform for reflection and discussion on the progress and challenges of continental market integration. It will be organized annually jointly by the AUC and UNECA. Participants will include all stakeholders in the development of intra-African trade: Member States; RECs; Representatives of continental and regional private sector, civil society, and women organizations; Research Institutes, CEOs of major African cross-border enterprises; and development partners.

29. The outcomes and recommendations of the Forum will be presented to the Conference of AU Ministers of Trade for consideration.

The Monitoring and Evaluation Mechanism

30. In order to ensure that the elaborate framework set out for the implementation of the FTA functions effectively and meets the desired objectives, there shall be established a Monitoring and Evaluation Mechanism. Its aim is to put in place a number of procedures for the monitoring, review, assessment and evaluation of the implementation process. The mechanism is also to serve as an “early warning process” as well as the process of generating recommendations, based among others on the outcomes of the evaluations of the implementation of programmes and activities.

31. The proposed mechanism shall provide for the establishment of a Committee (Monitoring and Evaluation Committee), comprised of the following: the AUC, the RECs, UNECA, AfDB, AFREXIM Bank, continental and Regional Chambers of Commerce and Industry. The Committee shall have the responsibility of bringing reports on the monitoring and evaluation processes to the Conference of Ministers of Trade. The Committee will meet as often as deemed necessary.

32. In terms of monitoring, the AU and the RECs will co-ordinate their activities to ensure effective monitoring of implementation activities and processes, based among others, on targets and goals, benchmarks and milestones, implementation timeframes for specific activities and programmes. Monitoring processes will adopt specific methodologies as may be expedient for the particular monitoring exercise or processes, such as field trips for on the spot assessments; periodic review exercises, questionnaires for eliciting information on levels of implementation, co-ordination meetings etc.

33. There shall be a statutory Comprehensive Review and Evaluation exercise after every two years. The essence of this review is to enable the assessment of the level of implementation of the FTA processes, drawing upon, among others, the outcomes of the periodic monitoring and evaluation exercises in the period under review, outcomes of the review processes for the implementation of the Minimum Integration Programmes; outcomes of AU/RECs co-ordination meetings as well as information from the Trade Observatory.

34. The key objective here is to assess the level of implementation, achievement of targets, benchmarks and milestones, as well as obstacles that militate against implementation or achievement of set objectives. This will also permit, where necessary, the review of objectives, targets, implementation strategies as well as suggestions for remedial actions to identified obstacles. The ultimate objective is to take recommendations emanating from this comprehensive review exercise to the Policy Organs of the AU, particularly the Conference of Trade Ministers for their consideration.

35. The Committee for Monitoring and Evaluation will have responsibility for organizing the comprehensive review exercise, while the AUC will provide the Secretariat.

African Trade Observatory

36. Effective monitoring and evaluation of the implementation of the Action Plan, Road Map, and Decisions of the Policy Organs of the AU on the continental FTA and Intra-African Trade is essential for the broadening and deepening of Africa's market integration. It also requires the establishment of a functional trade observatory, whose responsibility will be to gather trade information. It will play a crucial role as the trade information bank for the proposed Monitoring and evaluation process and will serve as an essential part of the monitoring and evaluation mechanism. In this regard the Observatory will undertake the following:

- Collect from Member States and other sources, statistics and information such as those relating to the levels and structures of intra-African exports and imports; Rules of Origin; tariff levels and structures; non-tariff barriers; trade regulations; technical standards; etc.
- Analyze trade statistics and information to indicate trends in intra- African trade.
- Establish a database for intra-African trade, publish/disseminate information on intra-African trade, and serve as the main depository of data and information on intra- trade.

37. The African Trade Observatory will be located in the AUC (Department of Trade and Industry), and submit report of its activities to the Conference of AU Ministers of Trade.

Dispute Settlement and CFTA Agreement Enforcement Mechanism

38. The continental FTA Agreements will involve the conferment of rights and obligations on the parties. In the process of the implementation of the Agreements, disputes are bound to arise. There must therefore be a mechanism for interpretation of Agreements, for enforcement of rights and obligations, and determination of sanctions for non-compliance with agreements.

39. For the effective resolution of disputes, there shall be a mechanism for bilateral negotiations among the concerned Member States for reconciliation, through a Dispute Settlement Committee (DSC), failing which disputes can then be brought before the AU Arbitration Tribunal.

40. The AU Arbitration Tribunal shall operate under the auspices of the African Court of Justice. The tribunal shall be the highest judicial body for dispute settlement under the CFTA. The Tribunal shall arbitrate and inform the ATIC of its rulings.

41. The Dispute Settlement Committee shall be the first port of call for the reconciliation of parties to any disputes arising from the implementation of the CFTA. It shall receive notices of disputes from Member States through the AUC. Where a Member State is dissatisfied with the conclusions and recommendations of the DSC, the Member shall have the right of recourse to the AU Arbitration Tribunal.

CFTA Agreement Enforcement

42. It is proposed that an adequate mechanism in the form of sanctions be provided in the CFTA agreement for non-compliance of agreed obligations.

ANNEX

DETAILED CASE FOR ESTABLISHMENT OF THE CONTINENTAL FREE TRADE AREA

1. In order to build an African FTA, it is important to start with the basics. It is therefore necessary to build a roadmap that identifies the basic things that are essential to get the FTA off the ground. What are some of the basic things? These include practical measures like the removal of tariffs between African countries; harmonization of rules of origin; elimination of non-tariff barriers; definition of safeguard measures; and dispute settlement mechanisms. An additional basic is the definition of an institutional mechanism to drive the FTA creation.
2. The roadmap requires a realistic appreciation of the initial conditions. So, what are the initial conditions in terms of trade and protection in the African case? What is the current level of trade between African countries? Do African countries provide each other market access conditions that are consistent with their stated goal of enhancing intra-African trade? Intra-African trade is on average 10 – 12 per cent. But as Table 1 below shows, for some African countries, trade within the region constitutes a significant share of their exports.

Table 1: Share of exports to other African countries (average 1995-2008)

| Country | Average | Country | Average |
|---------------|---------|--------------|---------|
| Mali | 71.7 | Botswana | 17.2 |
| Burkina Faso | 60.0 | Ethiopia | 15.8 |
| Rwanda | 56.5 | Burundi | 14.7 |
| Niger | 48.1 | South Africa | 13.4 |
| Kenya | 45.3 | Cameroon | 11.4 |
| Swaziland | 44.2 | Nigeria | 9.2 |
| Zimbabwe | 42.3 | Tunisia | 8.5 |
| Togo | 41.5 | CAR | 8.5 |
| Senegal | 41.3 | Egypt | 7.0 |
| Gambia | 39.7 | Mauritius | 6.8 |
| Namibia | 39.6 | Madagascar | 6.7 |
| Ghana | 34.2 | Mauritania | 5.9 |
| Uganda | 31.6 | Guinea | 5.2 |
| Lesotho | 27.6 | Morocco | 4.8 |
| Zambia | 27.3 | Sao Tome | 4.6 |
| Cote d'Ivoire | 27.0 | Gabon | 3.3 |
| Tanzania | 25.3 | Sudan | 2.9 |
| Malawi | 22.7 | Algeria | 2.4 |
| Mozambique | 20.4 | Comoros | 2.2 |
| Benin | 19.5 | Seychelles | 1.8 |

Source: Computations based on COMTRADE database

3. This level of intra-African trade could be boosted significantly through a continental FTA. It is realistic to imagine that all things being equal, an FTA could contribute within a very short time to the doubling of the level of intra-African trade. To demonstrate this point, using some disaggregated data available in 2004, one finds that trade protection within African economies is relatively high, with an average applied tariff of 8.7 per cent. Table 2 shows selected average protection that African countries impose on other African countries and also to the rest of the World.

Table 2: Average protection imposed on selected African imports and exports

| | Protection imposed on imports from Africa | | | Protection faced on exports to Africa | | |
|-------------------------------------|---|-----------------|-------------|---------------------------------------|-----------------|-------------|
| | Agriculture | Non-Agriculture | All sectors | Agriculture | Non-Agriculture | All sectors |
| Angola & DRC | 15.3% | 10.4% | 8.6% | 17.2% | 1.8% | 5.3% |
| Ethiopia | 21.9% | 11.6% | 12.4% | 20.2% | 17.1% | 2.4% |
| Madagascar | 4.0% | 1.5% | 12.0% | 13.4% | 5.1% | 7.7% |
| Malawi | 10.1% | 8.2% | 0.5% | 3.5% | 5.6% | 11.1% |
| Mauritius | 18.7% | 12.4% | 0.8% | 4.3% | 3.9% | 12.4% |
| Mozambique | 15.2% | 7.8% | 0.8% | 13.4% | 6.7% | 4.1% |
| Tanzania | 19.5% | 10.3% | 4.7% | 21.9% | 10.8% | 9.2% |
| Uganda | 5.7% | 4.4% | 11.3% | 8.2% | 8.4% | 15.2% |
| Zambia | 11.5% | 8.2% | 11.0% | 6.7% | 4.9% | 13.0% |
| Zimbabwe | 21.5% | 11.1% | 12.5% | 5.3% | 1.2% | 5.4% |
| Rest of Eastern Africa | 14.2% | 10.9% | 28.1% | 8.8% | 7.1% | 2.2% |
| Botswana | 0.9% | 0.3% | 2.6% | 18.3% | 10.7% | 5.3% |
| South Africa | 2.2% | 0.6% | 6.5% | 21.6% | 11.2% | 8.6% |
| Rest of South African Customs Union | 3.5% | 0.3% | 14.8% | 9.1% | 2.2% | 9.6% |
| Egypt | 5.9% | 4.5% | 11.4% | 13.5% | 8.3% | 2.1% |
| Morocco | 14.6% | 10.7% | 13.3% | 22.4% | 9.5% | 19.5% |
| Tunisia | 27.0% | 8.4% | 1.8% | 19.9% | 11.7% | 8.9% |
| Rest of North Africa | 12.1% | 12.6% | 8.4% | 30.9% | 5.2% | 4.1% |
| Nigeria | 46.9% | 25.0% | 13.8% | 15.8% | 2.1% | 4.0% |
| Senegal | 4.4% | 2.2% | 9.4% | 8.3% | 4.4% | 10.1% |
| Rest of Western Africa | 8.0% | 5.9% | 11.7% | 7.8% | 9.1% | 15.4% |
| Central Africa | 22.8% | 12.3% | 4.6% | 11.4% | 9.4% | 8.3% |
| AFRICA | 12.4% | 7.8% | 8.7% | 12.4% | 7.8% | 8.7% |

Source: Computations by UNECA based on TASTE software and MACMapHS6v2 database

4. A close look at Table 2 tells us that intra-African trade in agriculture faces higher rate of protection than non-agriculture sector. Almost all African countries and sub-regions impose higher tariffs on agriculture imports from other African countries. This suggests that the roadmap for establishing an African FTA must pay close attention to intra-African agriculture trade. The FTA could be instrumental to Africa feeding itself. But the real big but negative story from Table 2 is that two-thirds of African countries are either more protectionists than Africa in general or face more limiting market access conditions within Africa, than the average situation. This means that an FTA, even one that progressively eliminates these barriers, could offer substantial economic and social gains for Africa. As the Issues Paper prepared for the AU

Summit of January 2012 shows, removal of these tariff barriers will not be enough. There are other key priority areas such as reducing trade costs that need to be addressed.

5. While Table 2 shows that intra-African trade in agriculture is constrained by protection imposed by countries on other African countries, the diversification and manufacturing potential is also hampered by the average intra-African non-agriculture average applied protection of 7.8 per cent. Yet, beneath the story that tends to be seen on the surface, a deeper look at African trade data shows that there is more sophistication in the intra-African traded goods than what Africa exports to the rest of the world. In other words, there is evidence that despite the existing level of intra-African protection on non-agricultural goods, the exports seen in Table 1 as constituting the share of individual countries exports within Africa, are more sophisticated than the remaining share that is sent to the rest of the world.

6. In preliminary finding of a paper commissioned by the UNECA, Githinji and Olugbenga (2011) have looked at the top 5 exports for a selected sample of African countries. In each case, they have looked at the value of the top 5 exports for each country to Africa and to the world. For our purposes we can focus on those countries that trade the most with other African countries, e.g. Ghana and Kenya. In 2008, Ghana's exports to Africa made up 52 per cent of its exports while the same statistic for Kenya was 46 per cent.

Table 3: Top Five Exports by Value (2008) to Africa and the World

| Ghana top 5 exports to the world | Ghana top 5 exports to Africa |
|--|--|
| Gold, semi-manufactured forms | Gold, semi-manufactured forms |
| Cocoa beans, whole or broken, raw or roasted | Machinery parts, non-electrical |
| Cashew nuts, fresh or dried | Plywood, all softwood |
| Gold in unwrought forms | Panels, laminated woods |
| Lumber, non-coniferous | Aluminium alloy plate, sheet, strips |
| Kenya top 5 exports to the world | Kenya top 5 exports to Africa |
| Tea, black in packages | Tea, black in packages |
| Cut flowers and flower buds, fresh | Oils petroleum, bituminous, distillates |
| Vegetables, fresh or chilled | Portland cement, other than white cement |
| Cut flowers and flower buds, dried | Cigarettes containing tobacco |
| Coffee, not roasted not decaffeinated | Medicaments, in dosage |

Source: COMTRADE database

7. It is evident from Table 3 that Ghana's exports to Africa are mainly items from the manufacturing sector, rather than raw products. The same story emerges for Kenya. Its top exports to Africa, with the exception of black tea are manufacturing products. What the analysis in Table 3 shows, and is that exports to other African countries are likely to be more sophisticated than African exports to the world. And therein lays the transformation and diversification story. Without going deeper into explaining why this is the case, the message that comes out is that the destination of a country's exports has an impact on the kind (or sophistication) of its exports. The implication of this is that the removal of the remaining barriers to intra-African trade, such as the average applied tariffs could help African countries to

industrialise. In other words, the FTA roadmap must also be informed by Africa's industrialisation objective.

8. From the foregoing, one can say that given the initial conditions, an African FTA can help eliminate remaining trade barriers; boost intra-African trade; and support Africa's industrialisation. But an interesting question that the Issues Paper to the Summit raises is the architecture of this FTA. While this is discussed in a separate paper, it is possible to shed some light on the trade and protection structure between regional FTAs and a continental FTA. We provide some insights of this in Table 4 below, which is derived from some on-going work by UNECA, AUC and AfDB in the context of Assessing Regional Integration in Africa Report series:

Table 4: Trade, protection and tariff revenues before trade reforms, and changes in protection after regional FTAs and continental FTA

| Exporter | Importer | Before Trade Reforms (2004) | | | | | After Regional FTAs | After Continental FTAs | |
|---------------------|---------------------|-----------------------------|--------------------------------|--|---|------------------------------------|-------------------------------|--|--|
| | | Trade (million USD) | Share of exports within Africa | Share of exports in Africa's total exports | Share in exports in World's total exports | Ad Valorem Equivalent (AVE) Tariff | Tariff Revenues (million USD) | Change in AVE Tariff (as compared to 2004) | Change in AVE Tariff (as compared to 2004) |
| S-E FTA group | S-E FTA group | 8541 | 47.1% | | | 7.7% | 653 | 100.0% | 100.0% |
| N-W-C FTA group | N-W-C FTA group | 5251 | 28.9% | | | 8.2% | 430 | 100.0% | 100.0% |
| S-E FTA group | N-W-C FTA group | 2521 | 13.9% | | | 16.5% | 417 | 0.0% | 100.0% |
| N-W-C FTA group | S-E FTA group | 1827 | 10.1% | | | 4.3% | 78 | 0.0% | 100.0% |
| AFRICA TOTAL | AFRICA TOTAL | 18140 | 100.0% | 7.9% | | 8.7% | 1578 | 68.7% | 100.0% |
| S-E FTA group | RoW (non-Africa) | 90162 | | 39.3% | | 3.6% | 3283 | 0.0% | 0.0% |
| N-W-C FTA group | RoW (non-Africa) | 121409 | | 52.9% | | 1.7% | 2092 | 0.0% | 0.0% |
| AFRICA TOTAL | WORLD TOTAL | 229712 | | 100.0% | 2.8% | | | | |
| RoW (non-Africa) | S-E FTA group | 92709 | | | 1.1% | 10.0% | 9237 | 0.0% | 0.0% |
| RoW (non-Africa) | N-W-C FTA group | 96119 | | | 1.2% | 17.1% | 16415 | 0.0% | 0.0% |
| RoW (non-Africa) | RoW (non-Africa) | 7878099 | | | 95.0% | 3.2% | 251391 | 0.0% | 0.0% |
| WORLD TOTAL | WORLD TOTAL | 8296638 | | | 100% | 3.4% | 283996 | 0.3% | 0.3% |

Source: Computations by UNECA based on TASTE software and MAcMapHS6v2 database

9. The world depicted by Table 4, in terms of tariff protection, while slightly different from today's world, provides us with an opportunity to have an idea of what the various FTA architectures could deliver. Table 4 assumes that there are two regional groups: COMESA, EAC, SADC and IGAD FTA group (S-E) FTA and ECOWAS, CENSAD, ECCAS and UMA FTA or N-W-C FTA. The following facts can be deduced from Table 4. First, within these two regional groups, global average protection is nearly as high as the continental average: 7.7 per cent within S-E FTA group; 8.2 per cent within the N-W-C FTA group and 8.7 per cent for Africa as a whole. Second, there is a very high level of protection currently inhibiting trade between the two groupings. The N-W-C FTA group imposes an average global tariff of 16.5 per cent to its imports from the S-E FTA group. Third, establishing FTAs in the two regions simultaneously would reduce Africa's global protection by 68.7 per cent. This means that intra-African average trade protection will fall from 8.7 per cent to 2.7 per cent. This would stimulate trade flows

between the two regional blocks. However, and this is the fourth point, establishing regional FTAs may not be enough to stimulate optimal trade. A continental FTA seems to be an optimal result that should be achieved sooner rather than later for the benefits to be realized. Furthermore, the move from the regional FTAs to the continental FTAs will have trivial revenue implications for African governments.